

FIFTY-FIRST LEGISLATURE

1ST SPECIAL SESSION

2013



* Strike-Everything Amendment
 [E] Emergency Clause
 [P 105] Proposition 105 Clause
 [P 108] Proposition 108 Clause
 [LIV] Line Item Veto
 [W/O] Without Emergency Clause
 [W/S] Without Signature

Bill	Chapter	Short Title	Page
<i>Fifty-First Legislature, First Special Session</i>			
HB 2001	1	2013-2014; general appropriations.	2
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HB 2001 – Chapter 1 – 2013-2014; general appropriations.

Makes GF and OF appropriations and transfers for FY 2013-14 for the operation of state government and makes various budget revisions and supplemental appropriations for FY 2012-13.

HB 2002 – Chapter 2 – 2013-2014; government; budget reconciliation.

Makes statutory and session law changes related to general government necessary to implement the FY 2013-2014 state budget.

Arizona Exposition & State Fair Board Permanent Revolving Fund (Fund)

- Increases the Fund cap from \$20,000 to \$60,000 for non-annual fair events and from \$50,000 to \$400,000 for the annual state fair. This Fund is exempt from lapsing.

ACC

- Eliminates a requirement that same day and next day services provided by the ACC not be offered unless all other expedited and regular filing service timeframes are met.

Museum Gift Shop Revolving Fund (Museum Fund)

- Establishes the Museum Fund consisting of gift shop proceeds and is administered by the director of the ASLAPR.
- Stipulates that monies in the Museum Fund are to be used to provide the public with goods for sale that are reflective of the themes of the Capitol Museum and the State of Arizona.
- States monies in the Museum Fund are continuously appropriated and exempt from lapsing.

DVS; Annual Report

- Requires DVS to submit a report on capital projects for which it has requested federal monies in the last 12 months by November 1 of each year to the directors of the JLBC and OSPB.

Professional Employer Organization (PEO); Registration; SOS

- Suspends the requirement that PEOs must register with the SOS until June 30, 2023.

Board of Massage Therapy (Board)

- Transfers any unexpended monies in the existing subaccount previously used by the Board to the newly-created Board of Massage Therapy Fund.

BTR; Alarm Business Certificates; Retroactivity

- Allows the BTR to issue alarm business certificates and alarm agent certificates that are valid for either one year or two years from the date of issuance at the discretion of the executive director.

DES; TANF

- Requires DES to screen and test each adult recipient who is otherwise eligible for TANF cash benefits and who DES has reasonable cause to believe engages in the illegal use of controlled substances.
- Stipulates that any recipient who is found to have tested positive for the use of a controlled substance not prescribed by a licensed health care provider is ineligible to receive benefits for a period of one year.

ACA; Loan

- Permits the ACA to approve a loan of up to \$2,000,000 from the Arizona Competes Fund no later than June 30, 2014 for the purpose of attracting or retaining business in a county with a population between 100,000 and 120,000.

- Stipulates that the loan be secured through a lien or other security interest held by the state with a value of at least 100% of the principal loan amount.
- Specifies the interest rate of the loan cannot exceed the annual rate prescribed in statute and the term of the loan cannot exceed seven years.

State Employee Benefits; ADOA

- Removes the requirement that new state employees work regularly for at least 90 days before receiving employee benefits.

HB 2003 – Chapter 3 – 2013-2014; K-12 education; budget reconciliation.

Makes statutory and session law changes related to K-12 education in order to implement the FY 2013-14 state budget.

School Funding Formulas

- As permanent law, increases the school district Transportation Support Level per route mile formula by 1.8%.
- As permanent law, increases the per-student Base Level amount for FY 2013-14 by 1.8% from \$3,267.72 to \$3,326.54.
- Eliminates CORL and the Soft Capital Allocation (SCA) and combines these two allocations into one per pupil allocation called *District Additional Assistance*.
- Establishes per-student District Additional Assistance amounts as follows:
 - \$544.58 for districts with a K-8 student count of less than 100.
 - \$389.25 multiplied by the corresponding weighted K-8 student count for districts with a K-8 student count of between 100-600 students.
 - \$450.76 for districts with a K-8 student count of more than 600 students.
 - \$601.24 for districts with a 9-12 student account of less than 100.
 - \$405.59 multiplied by the corresponding weighted 9-12 student count for districts with a 9-12 student count of between 100-600 students.
 - \$492.94 for districts with a 9-12 student count of more than 600 students.
 - \$450.76 for preschool programs for children with disabilities.
- Determines the amount added to District Additional Assistance for textbook allowance as the 9-12 student count multiplied by \$69.68.
- Repeals the SCA statute and as session law, requires school districts to transfer any budget capacity and cash remaining in its SCA Fund at the end of the current FY to its M&O Fund or its Unrestricted Capital Outlay Fund.
- Adds expenditures that may be budgeted in the Unrestricted Capital Fund to the items that the federal impact adjustment may be budgeted and expended for.
- Stipulates that a budget in excess of CORL that was approved by the voters in a school district before the effective date of this act remains in effect until the end of the period authorized pursuant to the previous election.
- Requires any school district, beginning in FY 2013-14, that over expended its SCA in FY 2012-13 or in a prior FY to apply any correction required for that over expenditure to its M&O or unrestricted capital budgets.
- Directs ADE to reduce the amount of Basic State Aid (BSA) by \$238,985,500 that otherwise would be apportioned to school districts for FY 2013-14 for District Additional Assistance and requires these school district budget limits to be reduced accordingly. For school districts that are not eligible to receive BSA funding, ADE must reduce District Additional

Assistance by the amount that it would be reduced if the district was eligible for BSA funding.

- Caps the sum of District Additional Assistance reductions in FY 2013-14 for school districts with less than 1,100 students at \$5 M.

Charter Additional Assistance

- As permanent law, increases the Charter Additional Assistance by 1.8% as follows:
 - For students in grades K-8, \$1,684.19.
 - For students in grades 9-12, \$1,962.90.
- As session law, requires ADE to reduce the amount of Charter Additional Assistance per student amount by \$15,656,000 that would otherwise be apportioned to charter schools and school districts for FY 2013-14. The reduction must be made on a proportional basis based on the Charter Additional Assistance funding that each charter school would have received minus the prescribed reduction. Reduces Charter Additional Assistance for FY 2013-14 for a school district that is not eligible to receive BSA funding for FY 2013-14 by the amount that it would have been reduced by if the district was eligible for BSA and requires the school district's budget limits to be reduced accordingly.

Early Graduation Scholarship Program

- Repeals the Early Graduation Scholarship Program and Fund and transfers all monies remaining in the Fund to the Commission for Postsecondary Education IGA and ISA Fund.

School District Overrides

- Requires ADE to electronically submit a report by November 30 of each year to JLBC and OSPB that lists the amount budgeted for school district overrides by individual school districts for each type of override conducted for the current FY.

Accommodation Schools

- Revises the definition of *accommodation school* and amends language for computing state aid to accommodation schools.

SFB

- Requires SFB to inventory and inspect all school buildings in order to develop a database to administer the Building Renewal Grant Fund and New School Facilities Formula and update the database annually. The database will be maintained and annually updated by SFB.
- Directs school districts to report information required for the administration of the Building Renewal Grant Fund and computation of the New School Facilities formula distributions to SFB no later than September 1 each year.
- Repeals the Building Renewal Fund. *Distribution of monies from this Fund has been suspended since FY 2008-09.*
- Excludes accommodation schools from eligibility for Building Renewal Grant Fund and New School Facilities Fund monies.
- Requires SFB to either approve enrollment projections as submitted or revise the projection by March 1 in order for a school district to qualify for New School Construction funding.
- Directs SFB to use actual enrollment counts rather than projected counts in order to determine eligibility for New School Construction funding.
- Allows SFB to enter into a refinancing or refunding agreement in FY 2013-14, after review by JCCR, that will reduce SFB's FY 2013-14 and FY 2014-15 lease-purchase payments by a combined total of at least \$4 million.

- Stipulates that this agreement cannot increase or decrease the total amount of SFB's lease-purchase payments in any other fiscal year by more than \$100,000.
- Requires SFB to revert any unexpended monies appropriated to the new school facilities debt service special line item in FY 2013-14 to the GF by June 30, 2014.

School District Bonded Indebtedness

- As permanent law, increases a non-unified school district's class B bonding capacity limit from 5% to 10% and a unified school district's class B bonding capacity limit from 10% to 20%. These limits apply to elections held both before and after the effective date of this act.

Performance Incentive Fund (Fund)

- As permanent law, establishes the Fund consisting of legislative appropriations for school districts and charter holder performance funding.
- Requires ADE to administer the Fund and exempts the monies from lapsing.
- Requires ADE to distribute monies to school districts and charter holders based on achievement and improvement on the assigned achievement profile beginning in FY 2014-15.
- Stipulates that the performance funding amount must be budgeted in separate subsections of the M&O and Capital Outlay sections of the budget and allows the unexpended budget balance to be carried forward to the following FYs.
- Limits eligibility to school districts and charter holders that have been assigned an achievement profile developed in accordance with the research based methodology outlined in statute.

School Emergency Pilot Program (Program)

- As session law, indicates that the \$3,646,400 appropriation to ADE for the School Safety Program for FY 2013-14 includes \$100,000 for a pilot program on school emergency readiness.
- Requires school districts to submit applications to ADE to participate in the Program by September 30, 2013 and ADE must select three school districts to participate by November 30, 2013.
- Prohibits participating school districts from collectively consisting of more than 31 individual school sites. The school districts must consist of:
 - One school district located in a county with less than 100,000 people.
 - One school district located in a county with between 100,000 and 800,000 people.
 - One school district located in a county with more than 800,000 people.
- Requires participating school districts to be provided a readiness and emergency management program that incorporates the following:
 - Education specific emergency management software that complies with the National Emergency Information Management System. All plans and critical emergency readiness information must be accessible both online and off-line through mobile device apps.
 - Training of teachers and administrators in the readiness and emergency management program.
 - The development, implementation and maintenance of a comprehensive crisis for the school districts and their teachers and administrators.
- Directs ADE to submit a report that summarizes the results of the Program by November 1, 2014.

JTEDs

- As session law, funds JTEDs with more than 2,000 students at 91% of State Aid that would otherwise be provided by law for FY 2013-14 and requires ADE to reduce its budget limits accordingly. *All JTEDs have been funded at 91% in prior FYs.*

Miscellaneous

- Repeals session law requiring the Legislature to reimburse the costs incurred in 2012 by county assessors for the Homeowner's Rebate Affidavit process.
- Requires ADE to transfer \$10 M to the GF from the Arizona Structured English Immersion Fund.

HB 2004 – Chapter 4 – 2013-2014; environment; budget reconciliation.

Makes session law changes related to the environment in order to reconcile the FY 2013-14 state budget.

DWR

- Authorizes the Arizona Water Protection Fund Commission to grant DWR up to \$336,000 of the unobligated balance in the Arizona Water Protection Fund to pay for department administrative costs.
- Authorizes DWR to increase fees for services for FY 2013-14.
 - Limits revenue generated from fees to \$100,200 and requires fee revenues to be deposited in the Water Resources Fund.
 - Exempts DWR from rule making for the purpose of establishing fees until July 1, 2014.

ASPB

- Continues the ASPB for ten years; requires the ASPB to submit a report on the implementation of the recommendations of the OAG to JLAC by December 31, 2017.
- Authorizes the ASPB to spend up to \$692,100 from its portion of the Off-Highway Vehicle Recreation Fund in FY 2014 for agency operating costs.

DEQ

- Suspends the statutory administrative cap on the Underground Storage Tank Revolving Fund Assurance Account (Account) in FY 2013-14 to allow DEQ to transfer a combined total of \$6,531,000 from the Account and the Regulated Substance Fund for department administrative expenses.
- Reduces the annual GF statutory appropriation of \$15,000,000 to \$7,000,000 to the Water Quality Assurance Revolving Fund for FY 2013-14.

Arizona Navigable Stream Adjudication Commission (ANSAC)

- Authorizes \$80,000 from the Risk Management Revolving Fund to be used for ANSAC's unpaid obligations related to legal fees in FY 2013-14.

HB 2005 – Chapter 5 – 2013-2014; criminal justice; budget reconciliation.

Enacts various statutory and session law changes to implement the FY 2013-14 state budget as it relates to criminal justice.

ADC

- Allows ADC to transfer \$2,500,000 annually from the Corrections Fund to the ADC Building Renewal Fund.
- Requires ADC to make annual fiscal reports in the same structure and detail and specifies that the information submitted for each line contain as much detail as previous years.

- Permits ADC to use monies from the Transition Program Fund or the Interagency Service Agreement Fund for operating expenses in FY 2014.
- Stipulates that ADC may award a contract for the remaining male medium security beds only if specific legislative authorization for the award is provided.

AG

- Raises the non-lapsing cap for the Collection Enforcement Revolving Fund from \$100,000 to \$500,000.
- Allows the AG to use monies contained in the State Aid to Indigent Defense Fund for activities related to capital post conviction prosecution for FY 2014.

BEC

- Sets compensation for board members to an hourly basis except the Executive Director and prohibits them from being eligible for paid leave.
- Allows board members to be eligible to receive employee benefits starting January 2014 and contains a retroactivity clause of June 30, 2013.

CPS

- States that when CPS receives a report of abuse or neglect, dependent, abused or abandoned children or a child who may be in need of protective services, that CPS, in addition to notifying the municipal or county law enforcement office, must also notify the Office of Child Welfare Investigations (OCWI).
- Specifies that CPS must make a prompt and thorough investigation unless the report contains a criminal conduct allegation being investigated by OCWI and assist OCWI as directed by the Director of DES.
- Adds to the definition of *person* to include a *child welfare investigator* and *child protective services worker* as it relates to mandatory reports.
- Allows specified records be made available to a child welfare investigator.
- Specifies that OCWI must receive a copy of mandatory reports.
- Provides that the duties of the OCWI include investigating criminal conduct allegations, coordinating with CPS and law enforcement, establishing task forces for the investigation of criminal conduct and other duties as may be assigned by the Director.
- Allows OCWI to employ research analysts and peace officers for the purpose of obtaining an originating agency identification number to have direct access to criminal history report information.
- Requires a child welfare investigator to assess, respond to or investigate all criminal conduct allegations which must be a priority, but not exercise the authority of a peace officer and to make a prompt and thorough investigation of the nature, extent and cause of any condition that would tend to support or refute the report of child abuse or neglect.
- Specifies that a child welfare investigator who is responding to or investigating a report containing a criminal conduct allegation must have the primary responsibility for making the decision whether to take a child into temporary custody.
- Provides that all records gathered or created by DES when conducting an investigation are confidential and must be protected and released as prescribed by statute, except DES must not release records if DES determines the release may compromise an ongoing investigation.

- Specifies that OCWI is not responsible for conducting the criminal investigation of the crimes outlined in A.R.S. § 8-801.

AST

- Limits the total amount that the AST may expend for JP compensation to the amount appropriated by the Legislature.

Judiciary

- For FY 2013-14, suspends the various provisions relating to supplanting of state monies and requires the Arizona Supreme Court (Court) to submit a report to JLBC identifying a decrease in county funding relating to suspended provisions.
- For FY 2013-14, limits the amount that the Court may reimburse the counties to the amount appropriated for that purpose in FY 2013-14 general appropriations act.

DPS

- Allows funds from the GIITEM Border Security and Law Enforcement Subaccount to be used for safety equipment that is worn or used by peace officers employed by a county sheriff.
- Establishes July 1 as the date in which GIITEM funds are to be distributed to county sheriffs according to the prescribed allocations.
- Suspends the statutory caps and transfers of HURF and SHF monies for FY 2013-14.
- Requires DPS to submit an expenditure plan to JLBC before it spends any monies appropriated in FY13-14 general appropriations act.

HB 2006 – Chapter 6 – 2013-2014; budget procedures.

Makes statutory and session law changes related to budget procedures in order to implement the FY 2013-14 state budget.

Strategic Plans

- Requires each executive branch budget unit, rather than each annual budget unit, to annually develop and submit a five-year strategic plan.
- Eliminates the requirement for the Senate and House of Representatives Appropriations Committees to annually review strategic plans.

Automation Projects Fund (Fund)

- Specifies monies in the Fund are subject to legislative appropriation retroactively to July 1, 2013.
- Allows ADOA to spend monies in the Fund above \$5.3 million remaining on June 30, 2013 in FY 2013-14, applies retroactively to July 1, 2013.

Annual Budgets

- Suspends statutes that require biennial budgeting for various state agencies for FY 2013-14.
- Removes provisions relating to biennial budget units' operating plan for programs.

Pro Rata Shares

- Reduces the pro rata share contributed by agencies for personnel administration services from 1.10% of total payroll to 0.86%.
- Exempts various state agencies from contributing a pro rata share of the overall cost of personnel administration services for FY 2012-13.

COSF

- Modifies COSF rental rates per square foot for state-owned buildings for FY 2013-14.

Miscellaneous

- Repeals statute relating to the Strategic Program Area Review.
- Requires all web portal usage fees collected by this state or under any agreement between this state and an independent contractor be deposited in the State Web Portal Fund minus the amount of fees collected for deposit in HURF pursuant to statute.
- States any unrestricted federal monies received from July 1, 2013 through June 30, 2014 be deposited in the GF for the payment of essential governmental services.

HB 2007 – Chapter 7 – 2013-2014; higher education; budget reconciliation.

Makes statutory and session law changes related to postsecondary education in order to implement the FY 2013-14 state budget.

ABOR

- Modifies ABOR's current student enrollment report to specify the number of in-state and out-of-state students who met or exceeded the undergraduate credit hour threshold during the previous FY.
- Directs ABOR to submit a report on university debt and obligations to JLBC and OSPB by November 1 of each year.
- Requires a student contracted with the Western Interstate Commission for Higher Education who fails to fulfill the requirement to work in Arizona after graduation to pay back the *entire* sum expended by the state, rather than *one-half*, to be discharged from their indebtedness.

Community Colleges

- As session law, appropriates capital outlay state aid for community colleges as specified in the General Appropriates Act (HB 2001). *The General Appropriations Act appropriates \$2M to community colleges for capital outlay state aid in FY 2013-14, excluding Pima and Maricopa counties. This formula has been suspended since FY 2008-09.*

Universities

- As session law, suspends the requirement that the Legislature provide a 2:1 match for every dollar of student registration fees deposited into the Arizona Financial Trust Fund. *This provision has been suspended since FY 2008-09.*

HB 2008 – Chapter 8 – 2013-2014; capital outlay.

Appropriates funds for FY 2013-14 to applicable agencies for the maintenance, repair, building renewal, and preventative maintenance of state buildings.

Building Renewal

- Appropriates the following amounts for major maintenance and repair activities for state buildings in FY 2014:
 - **ADOA**
 - \$9,000,000 from COSF
 - **ADC**
 - \$5,000,000 from the ADC Building Renewal Fund
 - **G&F Department**
 - \$547,600 from the G&F Fund
 - **ASLC**
 - \$90,300 from the ASLC Fund

➤ **ADOT**

- \$3,000,000 from the SHF
- \$188,200 from the State Aviation Fund

Capital Projects

Department	Project	Fund Sources	Amount
ADOA	Capitol Mall Security System	COSF	\$2,000,000
Total (ADOA)			\$2,000,000
ADC	Yuma Prison	ADC Building Renewal Fund	\$8,000,000
Total (ADC)			\$8,000,000
ASDB	Dormitory Renovations	GF	\$1,000,000
Total (ASDB)			\$1,000,000
G&F Department	Black Canyon Dam Repairs	G&F Capital Improvement Fund	\$327,000
Total (G&F)			\$327,000
ADOT	Statewide Highway Construction	SHF	\$220,293,000
	Airport Planning and Development	State Aviation Fund	\$21,123,700
	De-icer Buildings	SHF	\$2,280,000
	Vehicle Wash Systems	SHF	\$3,000,000
Total (ADOT)			\$246,696,700

Reporting Requirements

ADC

- Adds a footnote directing ADC to report monthly to JLBC on the status of building renewal projects and prohibiting ADC from using any of the funds appropriated for this purpose on personal services or overhead expenses relating to project management.

ADOT

- Modifies a footnote requiring ADOT to report the prior year, estimated current year, and upcoming budget year highway construction expenses from all sources to JCCR by November 1, 2013 and adds a requirement for ADOT to provide the report format to JLBC directors and OSPB for review.
- Adds a footnote requiring ADOT to report capital outlay information for FYs 2013, 2014, and 2015 to JLBC directors and OSPB and specifies that the information provided must appear in the same format as tables two, three, four, and six of the FY 2013 appropriations report.
- Adds a footnote requiring ADOT to report its estimated outstanding debt principal balance at the end of FY 2015 and the estimated debt service payment amount for FY 2015 to JLBC directors and OSPB.

ADOA

- Requires ADOA to report on the status of project specific FTE positions for capital projects in its annual capital budget request.

Miscellaneous

- Clarifies that if monies in COSF are insufficient to fund the appropriation to ADOA for building renewal, the appropriation must be reduced by the difference between the amount appropriated to ADOA from COSF and the balance in COSF.
- Allows ADOA to allocate FTE positions authorized for specific projects to other projects provided that the funding is cost allocated and requires ADOA to report on any FTE position reallocations to JCCR by December 31, 2013.
- Stipulates that the monies appropriated may not be used for personal services or employee-related expenditures of state employees, excluding services provided as part of the inmate construction program for correctional facilities.
- States that, unless otherwise specified, the appropriations do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, or the appropriation stands for a full FY without an expenditure or an encumbrance.
- Requires JCCR to examine the scope, purpose, and estimated cost of any new capital project that has an estimated cost of more than \$250,000.

HB 2009 – Chapter 9 – 2013-2014; revenue; budget reconciliation.

Makes temporary and permanent statutory changes relating to state revenues in order to implement the FY 2013-14 state budget.

Computer Data Centers (CDC)

- Establishes, effective September 1, 2013, tax relief during the qualification period of owners, operators, and collocation tenants of CDCs who are certified by the ACA.
- Stipulates that the owner or operator of a CDC, to qualify for tax relief, must submit a certification form to the ACA.
- Provides that a certification form is deemed approved within 60 days unless the ACA affirmatively approves or denies the form within that period and requires the ACA to issue a written certification within 14 days of approval.
- Prohibits the ACA from certifying a new CDC after December 31, 2023.
- Provides that an owner or operator may separate or aggregate one or more units in a facility into one or more CDCs, provided that CDC equipment is not part of more than one CDC.
- Requires, to qualify for tax relief as a *new CDC*, within 5 years of certification, that an owner or operator notify the ACA whether or not a CDC has created a minimum investment of:
 - \$25 M if located in a county with a population under 800,000 persons.
 - \$50 M if located in a county with a population greater than 800,000 persons.
- Requires, to qualify for tax relief as an *existing CDC*, within 5 years of certification, that an owner or operator notifies the ACA whether or not a CDC has created a minimum investment of \$250 M within the 72 months prior to September 1, 2013.
- States that the qualification period is 10 calendar years from when the certification form is filed, unless the CDC qualifies as a sustainable redevelopment project whereas the qualification period may then be up to 20 years.
- Stipulates that proprietary business information relating to a CDC is confidential, but may be disclosed to DOR.
- Requires the owner or operator to supply a list of qualified collocation tenants to ACA and DOR, and update changes within 30 days.

- Provides that certification is unaffected by future transfer, sale, or disposition of a CDC.
- Stipulates that a CDC cannot generate electricity for resale or generate, provide, or sell electricity outside of the CDC.
- Exempts CDC construction from prime contracting TPT.
- Exempts CDC equipment purchases from retail TPT and use tax.

Miscellaneous

- Codifies the ability of the ROC to expend up to 14% of the prior FY revenues from the Residential Contractor's Recovery Fund for employees, contracted services, equipment, and operational support.
- Provides that a technical college located on an Indian reservation shall receive 5% of TPT revenues received from sources located on the same Indian reservation, up to \$875,000 in a single FY.
- Exempts the following agencies from rule-making requirements relating to increasing fees for FY 2013-14, with the legislative intent that the generated revenue does not exceed the corresponding amount:
 - ADR - \$2,600,000
 - Office of Pest Management - \$525,000
 - Radiation Regulatory Agency - \$561,000
- Exempts the director of the ADAG from rule-making relating to the continuation of FY 2012-13 fees for FY 2013-14, with the legislative intent that the generated revenue does not exceed:
 - \$218,000 to the GF.
 - \$113,000 to the Pesticide Trust Fund.
 - \$26,000 to the Dangerous Plants, Pests and Diseases Trust Fund.
- Prohibits the director of DOI from revising fees or assessments in FY 2013-14 in order to meet the statutory requirement that DOI recover between 95% and 110% of its appropriated budget.
- Allows counties with a population of less than 200,000 persons, according to the 2010 census, to use any source of county revenue to meet its fiscal obligations in FY 2013-14 with the stipulation that the county report the specific source and amount of revenues the county intends to use to JLBC by October 1, 2013.
- Allows the Superintendent of the DFI to use monies from the DFI Receivership Revolving Fund for an electronic licensing system, with the legislative intent that such expenditures do not exceed \$850,000.
- Provides, retroactively to tax year 2013, that the tax credit for a voluntary cash contribution to a qualifying foster care charitable organization cannot exceed \$400 per single individual or head of household and \$800 for a married couple filing a joint tax return. Defines *qualifying foster care charitable organization*.
- Appropriates \$1 M each from the BSF to the ASPB and the Arizona Commission on the Arts for FY 2013-14.
- Appropriates \$1 M from the State Parks Revenue Fund to the ASPB for capital improvements for FY 2013-14.

HB 2010 – Chapter 10 – 2013-2014; health; welfare; budget reconciliation.

Makes statutory and session law changes related to health and welfare in order to implement the FY 2013-14 state budget.

AHCCCS

- Continues AHCCCS for ten years until July 1, 2023, contains a purpose section and a retroactivity clause to July 1, 2013.
- Contain a delayed repeal of the Healthcare Group statutes from and after December 31, 2013 and repeals the Healthcare Group Fund statute from and after December 31, 2014.
- Changes the title of the AHCCCS Fund, Long-term Care System Fund and the Third-party Liability Fund by adding *Recovery Audit*.
- Specifies, that in addition to monies paid by third-party payors and lien and estate recoveries, that the Third-Party Liability and *Recovery Audit Fund* is comprised of monies paid by first-party payors and medical services providers for recovery audit contractor findings.
- States for inpatient hospital services rendered on or after October 1, 2011 the prospective tiered per diem payment rates are permanently reset to the amounts payable for those services as of October 1, 2011.
- Codifies AHCCCS' authority to cover specified transplants and continues to exclude pancreas only transplants.
- Provides coverage for well exams.
- Repeals, from and after December 31, 2013, the section that allows AHCCCS, subject to approval of CMS, to authorize any political subdivision of this state to provide monies necessary to qualify for federal matching monies in order to provide health care coverage to persons who would have been eligible for AHCCCS coverage.
- Permits a freestanding children's hospital with more than 100 beds to continue to participate in the Safety Care Net Pool (SNCP) program through December 31, 2017, if approved by CMS and limits the growth of supplemental payments from the SNCP and DSH payments to 3% annually.
- Allows AHCCCS to continue the risk contingency rate setting, at funding levels that were imposed for contract year beginning October 1, 2010, for all managed care organizations for the contract year beginning October 1, 2013 and ending September 30, 2014.
- Allows AHCCCS to participate in any Special Disability Workload 1115 Demonstration Waiver offered by CMS and any credits must be used in the FY the credits are made available to fund the state share of any medical assistance expenditures that qualify for federal financial participation under the Medicaid program. AHCCCS must report the receipt of any credits to JLBC by December 31, 2013 and June 30, 2014.
- Mandates AHCCCS, on or before December 31, 2013, to report to JLBC and OSPB on the use of emergency departments for nonemergency purposes by AHCCCS enrollees.
- Requires AHCCCS, on or before December 31, 2013, to submit a report to the Governor, the Legislature and a copy to the Secretary of State on the use of air ambulance services by AHCCCS in the preceding five years.
- Declares the intent of the Legislature for FY 2013-14 that AHCCCS implement a program within the available appropriation.

- States it is the intent of the Legislature for FY 2013-14 that AHCCCS comply with the federal False Claims Act and maximize savings in AHCCCS programs.
- Provides for FYs 2014-15 and 2015-16 that it is the intent of the Legislature that AHCCCS' capitation rate increase not exceed 3%.
- Requires AHCCCS, its contractors and subcontractors to provide remuneration for ambulance services for persons covered by or enrolled in AHCCCS in an amount equal to 80% of the amount prescribed by DHS.
- Mandates AHCCCS to make annual adjustments to the fee schedule according to DHS' approved ambulance service rate in effect as of July 1 of each year and the rate adjustments are effective beginning October 1 of each year.
- Specifies that for dates of service, as amended by this act, on and after October 1, 2012 through September 30, 2014, AHCCCS and its contractors must reimburse ambulance service providers in an amount equal to 68.59% of the amounts prescribed by DHS.
- Requires AHCCCS and its contractors to reimburse ambulance service providers for dates of service on and after October 1, 2014 through September 30, 2015 in an amount equal to 74.74% of the amount prescribed by DHS of August 2, 2014.
- Allows AHCCCS to cover outpatient health services, medical supplies, durable medical equipment and prosthetic devices under certain condition. Requires AHCCCS to submit a report by January 1, 2016 on cost savings and repeals this from and after June 30, 2016.

Counties

- Sets the county ALTCS contributions for FY 2013-14 at \$244,696,100.
- Specifies that if the overall cost for the ALTCS line item exceeds the amount in the General Appropriations Act for FY 2013-14, the AST must collect from the counties the difference of the amount specified and the counties' share of the state's actual contribution.
- Requires AHCCCS to transfer to the counties such portion as may be necessary to comply with the Patient Protection and Affordable Care Act regarding the counties proportional share of the state's contribution on or before December 31, 2014 for FY 2013-14.
- Sets the County Acute Care Contributions for FY 2013-14 at \$47,851,000 and states it is the intent of the Legislature that the Maricopa County contribution be reduced to reflect changes in the GDP price deflator.
- Sets the amount of \$2,646,200 to be collected from the counties, other than Maricopa, for the County Acute Care Contribution for hospitalization and medical care services administered by AHCCCS. Specifies that the county contributions are excluded from the county expenditure limitations.
- Continues to exclude the Proposition 204 administration costs from the county expenditure limitations.

DHS

- Extends rule making authority, from July 1, 2013 to April 30, 2014 to adopt rules regarding health care institutions that reduce the monetary or regulatory costs on people and streamline the process; promote the use of deemed status for behavioral health organizations that are accredited by recognized national organizations; and facilitate licensure of integrated health programs that provide both behavioral and physical health services.

- Exempts DHS, for purposes related to rules regarding health care institutions, from the rule making requirements until April 30, 2014, except that DHS must provide public notice and an opportunity for public comment on proposed rules at least 30 days before a rule is adopted or amended. Applies retroactively to June 30, 2013.
- Allows DHS to determine the percentage of the costs to be reimbursed by a county for commitment of an individual deemed to be sexually violent and county contributions are excluded from the county expenditure limitations:
 - It is the intent of the Legislature that DHS set the percentage rate at a level that would increase the state share of the cost by \$1,800,000 in FY 2013-14.
- Requires a city or county to reimburse DHS for 100% of the costs of inpatient competency restoration treatment for FY 2013-14 and county contributions are excluded from the county expenditure limitations.
- Allows DHS to use monies in the Health Research Account in an amount specified in the General Appropriations Act for Alzheimer's disease research.
- Transfers all monies remaining in the Hearing and Speech Professionals Fund to the Health Services Licensing Fund on the effective date of this act.
- States it is the intent of the Legislature that DHS may increase behavioral health service provider rates up to 3% above the September 30, 2013 rates beginning on October 1, 2013.

Hospitals

- Establishes DSH payments for FY 2013-14.
- States for FY 2013-14, the DSH payment attributed to Maricopa County Special Health Care District must not exceed \$89,877,700.
- Continues to allow local governments, tribal governments and universities to contribute state match monies for DSH payments in FY 2013-14.

DES

- Permits DES to use monies in the long-term care system fund for any operational or programmatic expenses in FY 2013-14.
- Allows DES, for FY 2013-14, to reduce income eligibility levels for child care assistance, to manage within appropriated and available monies, and DES must notify JLBC of any changes in income eligibility levels within 15 days after implementing the change.
- Specifies, on or before September 1, 2013, the directors of JLBC, OSPB and DES must report to the Governor and the Legislature recommendations for consolidating into one report - the child welfare report, the financial and program accountability report and other child welfare reports required by DES and outlines provisions the report must address.
- Requires the OAG to provide to the Governor, the Legislature and the Directors of JLBC and OSPB specified reports relating to the expenditure of monies for children support services in DES.

Medicaid Expansion

Definition of Eligible Person

- Expands the definition of an *eligible person*, for purposes of AHCCCS eligibility, to include a person whose household's modified adjusted gross income is more than 100% but equal to or less than 133% of FPL, effective January 1, 2014 and includes:
 - Children under 19 years of years of age and whose family income does not exceed 133% FPL.

- Persons under 26 years of age and who were in the custody of the DES when the person became eligible.
- Requires AHCCCS to discontinue eligibility for persons between 100-133% FPL if the Federal Medicaid Assistance Percentage (FMAP) is less than 80% and AHCCCS must discontinue eligibility if the maximum amount that can be assessed under the hospital assessment without causing a reduction in federal financial participation, in combination with other funds is insufficient to cover the costs of the Proposition 204 and the adult expansion population.
- Conditionally repeals this section and requires the director to notify the director of Legislative Council if:
 - The FMAP drops below 80%.
 - The Patient Protection and Affordable Care Act is repealed.
 - The maximum amount that can be assessed under the hospital assessment without causing a reduction in federal financial participation, in combination with the monies from the Hospital Assessment Fund (Fund) and any other monies appropriated for the costs associated with the expansion and Proposition 204 populations, is insufficient to cover the costs.

Hospital Assessment

- Beginning January 1, 2014, requires the Director of AHCCCS to establish, administer and collect an assessment on hospital revenues, discharges or bed days for the purpose of funding the nonfederal share of the costs, except for costs related to persons for behavioral health services, that are incurred for AHCCCS eligible individuals and that are not covered by the Proposition 204 Protection Account and the Arizona Tobacco Litigation Settlement Fund or any other monies appropriated to cover these costs, for the following individuals:
 - Persons who are defined eligible pursuant to A.R.S. § 36-2901.07 (adult expansion population 100-133% FPL).
 - Persons who are defined eligible pursuant to Proposition 204.
- Requires the Director to adopt rules regarding the method for determining the assessment, the amount or rate of the assessment and modifications or exemptions from the assessment. The assessment is subject to approval by the federal government to ensure that the assessment is not established or administered in a manner that causes a reduction in federal financial participation.
- Allows the Director to establish modifications or exemptions to the assessment by considering factors such as the size of the hospital, the specialty services available to patients and the geographic location of the hospital.
- Stipulates that the Director, before implementing the assessment and annually thereafter if the assessment is modified, must present the methodology to JLBC for review.
- Specifies that AHCCCS must not collect an assessment for costs after the effective date of any reduction of the FMAP to less than 80%.
- Requires AHCCCS to deposit the revenues collected from the hospital assessment into the Fund.
- Prohibits that hospitals from passing the cost of the assessment on to the patients or third party payors and requires hospitals to submit to DHS an attestation to that effect.
- Allows the director of AHCCCS to suspend or revoke the hospital's AHCCCS provider agreement registration if the hospital does not comply with the provisions of the hospital assessment.

- States that if the hospital does not comply within 180 days after the Director of AHCCCS suspends or revokes the hospital's provider agreement, the Director must notify the Director of DHS, who must suspend or revoke the hospital's license.
- Allows the Director of DHS to suspend, revoke, in whole or in part, the license of any health care institution if its owners, officers, agents or employees fail to comply with the hospital assessment.
- Specifies the Director must only use Fund monies as necessary to supplement monies in the Proposition 204 Protection Account and the Arizona Tobacco Litigation Settlement Fund.
- Provides that monies in the Fund do not revert to the GF, are exempt from the lapsing of appropriations and are continuously appropriated.
- Exempts AHCCCS, for purposes of the hospital assessment, from the rule making provisions except that AHCCCS must provide notice and opportunity for public comment at least 30 days before establishing or implementing the administration of the hospital assessment.
- States it is the intent of the Legislature that the hospital assessment added by the provisions of this Act, be subject to approval by the federal government does not adopt federal law by reference.
- Specifies that the requirement for AHCCCS to establish a hospital assessment does not delegate legislative taxing authority to AHCCCS and the Director must impose the assessment in accordance with clear guidance as provided in this Act.
- Provides that the hospital assessment be used for the benefit of hospitals for the purpose of providing health care for persons eligible for coverage funded by the hospital assessment.
- States it is the intent of the Legislature that the provision added related to Medicaid and Medicaid expansion are for the support and maintenance of a state government department and institution.
- Conditionally repeals this section and requires the Director to notify the Director of Legislative Council if:
 - The FMAP drops below 80%.
 - The Patient Protection and Affordable Care Act is repealed.
 - The maximum amount that can be assessed under the hospital assessment without causing a reduction in federal financial participation, in combination with the monies from the Fund and any other monies appropriated for the costs associated with the expansion and Proposition 204 populations, is insufficient to cover the costs.

***Medicaid Federal Circuit Breaker & Outcomes Study Committee
(Study Committee)***

- Establishes the Study Committee, outlines membership and duties. Repeals the Study Committee from and after December 31, 2016.

AHCCCS & DHS

- Mandates AHCCCS to establish work groups to study and provide input on the development of the hospital assessment. The work groups, at a minimum, must include representatives from the urban, rural and critical access hospitals.
- Provides that AHCCCS must pursue cost sharing requirements for members to the maximum extent allowed under federal law and AHCCCS is exempt, for purposes relating to cost sharing, from the rule making requirements for one year after the effective date of this act.

- Subjects the cost sharing requirements to approval by CMS and specifies beginning January 1, 2014 that AHCCCS must charge and collect from each enrollee the following:
 - A premium of not more than 2% of the person's household income.
 - A copayment of \$200 for nonemergency use of an emergency room if the person is not admitted to the hospital.
 - A copayment of \$200 for nonemergency use of an emergency room if there is a community health center, rural health center or urgent care center within 20 miles of the hospital.
- Requires the Directors of AHCCCS and DHS to jointly submit a report on hospital charge master transparency to the Governor, the Legislature and provide a copy to the SOS.
- Requires AHCCCS to provide a notice to new members at the time of enrollment that their eligibility may be dependent on the availability of federal financial participation.
- Specifies that AHCCCS, on or before October 1, 2013 and annually thereafter, must report to the Legislature and the Directors of JLBC and OSPB on the change in uncompensated hospital costs experienced by the hospitals and hospital profitability during the previous fiscal year and repeals this provision from and after January 1, 2018.
- Specifies that AHCCCS, on or before August 1, 2014 and annually thereafter, must report to the Legislature and the Directors of JLBC and OSPB the amount each hospital contributed for the provider assessment and the amount of estimated payments each hospital received from the coverage funded by the assessment. This section is repealed from and after January 1, 2018.
- Appropriates to AHCCCS sufficient monies, in addition to any other appropriations made in FY 2013-14, to implement the provisions of Medicaid and Medicaid Expansion.
- Appropriates to DHS sufficient monies, in addition to any other appropriations made in FY 2013-14, to implement the provisions of Medicaid and Medicaid Expansion.

Miscellaneous

- Specifies, effective from and after December 31, 2013, that a municipality must not levy or impose an assessment, fee or tax on hospital revenues, discharges, beds or services.